HM Revenue
& Customs

TAXATION OF EMERGENCY VEHICLES

The rules for calculating the taxable value of an asset provided to an employee which is made available for private use changed with effect from 6 April 2017. These changes have had a significant effect on employees of the emergency services who are allowed to make private use of emergency vehicles. A previous method of calculating the value of the benefit, based on a business:private mileage ratio, is not possible under the new rules.

Following representations, the government has decided to introduce legislation in Finance Bill 2018-19 to enable the previous basis of calculation to continue to be available for a limited period in respect of emergency vehicles only. This transitional legislation will apply retrospectively from 6 April 2017 and will remain in force until 5 April 2020. From 6 April 2020 onwards, the new rules on the valuation of assets made available for private use will have to be used for all emergency vehicles.

These transitional arrangements will apply to individuals provided with an emergency vehicle made available for private use during the period **6 April 2017** to **5 April 2020**

The government has also decided to extend the scope of the emergency vehicles tax exemption to further support the work of the emergency services. Currently the exemption only covers on-call commuting and private use during on-call periods. The cost of ordinary commuting will now be disregarded if the primary reason the employee has use of the emergency vehicle is because they need it for business travel in the normal course of their job.

This means that where an individual uses an emergency vehicle whilst on-call, engaged in on-call commuting or engaged in ordinary commuting, and it is not available for any other private use and is not used for other private use, the benefit is exempt from income tax and employer Class 1A NICs contributions. This legislation will also have retrospective effect from 6 April 2017.

This information is being shared with emergency services employers now so that you are aware of these changes before completing end of year procedures for the tax year 2017-18.

What employers need to report for tax year 2017-18

Where:

- an emergency vehicle which is available for private use has been provided to an employee during the period 6 April 2017 to 5 April 2018; and

- prior to 6 April 2017 you have been calculating the value of the benefit of that vehicle using a business:private mileage ratio,

you should continue to use a business:private mileage ratio basis of calculation for the tax years 2017-18 to 2019-20 if you so choose. The value of the benefit should be reported in the normal way on a P11D.

If the individual's private mileage for 2017-18 relates only to –

- ordinary commuting, on-call commuting and private journeys made while on call; and
- the primary reason the employee has use of the emergency vehicle is because they need it for business travel in the normal course of their job,

there is no taxable benefit and nothing for you to report to HMRC.

HMRC will publish updated guidance to the Employment Income Manual in due course which will cover the years 2017-18 to 2019-20.

Users of emergency vehicles which are available for private use will therefore continue to pay tax on a similar basis as before the change to the use of assets legislation until 5 April 2020

Example:
A member of the emergency services is provided with an unmarked emergency vehicle on 6 April 2017 that is available for private use throughout the tax year. The vehicle has a market value when first provided of £26,705. The employee's total mileage during the year is 3,576, of which 2,169 represents business mileage. Running costs borne by the employer are £993. The employee makes a monthly contribution of £100 per month from net pay.

The employee's taxable contribution is worked out as follows:

	£
20% of market value	5,341
Running costs such as fuel and insurance	933
Total cost	6,334
Costs attributable to business use £6,334 x 2,169/3,576	3,842
Interim value of taxable benefit (£6,334 - £3,842)	2,492
Contributions made by employee for private use	1,200
Net taxable benefit	**1,292**

What is an emergency vehicle?

If a vehicle is fitted with a fixed flashing blue light it is classed as an emergency vehicle and is considered to be unsuitable for use as a private vehicle. This means that emergency vehicles do not fall within the definition of a “car” for the purposes of applying the car benefit charge, (commonly known as company car tax) even where an emergency vehicle is made available for private use. Emergency vehicles are therefore charged to tax as employment-related benefits.

Changes to the tax treatment of emergency vehicles introduced in 2017 – FOR INFORMATION: NO ACTION NEEDED

The cost of a benefit arising because an emergency vehicle is made available for private use in a way that extends beyond what is allowed under the existing limited tax exemption (i.e. on-call commuting) is calculated under the rules for assets made available without transfer of ownership.

From 6 April 2017 the rules for calculating the taxable benefit of being provided with such assets for private use (which cover a wide range of goods, from private jets to TVs and motorcycles) were set out on a statutory basis. This is based on availability for private use, with a number of possible deductions for days when the asset is not so available.